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IN THE

**Supreme Court of the United States**PANOL, JR.  
CLERK

OCTOBER TERM, 1987

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**CHARLES R. CHRISTIANSON and  
INTERNATIONAL TRADE SERVICES, INC.,***Petitioners,*

vs.

**COLT INDUSTRIES OPERATING CORP.,***Respondent.*

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**ON WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT**

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**RESPONDENT'S BRIEF ON THE MERITS**

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March 14, 1988

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56 P/M

**QUESTIONS PRESENTED**

1. Did the United States Court of Appeals for the Federal Circuit have jurisdiction of the appeal from the district court judgment entered on July 19, 1985?
2. Should the Federal Circuit have reexamined appellate jurisdiction after the Seventh Circuit's reasoned determination that the Federal Circuit had jurisdiction?

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**RESPONDENT'S BRIEF ON THE MERITS**

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Citations to the opinions below, the judgments delivered in the courts below, and the grounds on which the jurisdiction of this Court is invoked are set forth at pages 1-2 of Petitioners' Brief on the Merits.

**STATUTORY PROVISIONS**

Citations to statutes are set forth at pages 2-3 of Petitioners' Brief on the Merits. In addition, the following statute and rule are pertinent to this case:

**28 U.S.C. § 1292. Interlocutory decisions**

(a) Except as provided in subsections (c) and (d) of this section, the courts of appeals shall have jurisdiction of appeals from:

(1) Interlocutory orders of the district courts of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, and the District Court of the Virgin Islands, or of the judges thereof, granting, continuing, modifying, refusing or dissolving injunctions, or refusing to dissolve or modify injunctions, except where a direct review may be had in the Supreme Court . . . .

...  
(c) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction –

(1) of an appeal from an interlocutory order or decree described in subsection (a) or (b) of this section in any case over which the court would have jurisdiction of an appeal under section 1295 of this title . . . .

**Fed. R. Civ. P. 15(b). Amendments to Conform to the Evidence.**

When issues not raised by the pleadings are tried by express or implied consent of the parties, they shall be treated in all respects as if they had been raised in the pleadings. Such amendment of the pleadings as may be necessary to cause them to conform to the evidence and to raise these issues may be made upon motion of any party at any time, even after judgment; but failure so to amend does not affect the result of the trial of these issues. If evidence is objected to at the trial on the ground that it is not within the issues made by the pleadings, the court may allow the pleadings to be amended and shall do so freely when the presentation of the merits of the action will be subserved thereby and the objecting party fails to satisfy the court that the admission of such evidence would prejudice the party in maintaining the party's action or defense upon the merits. The court may grant a continuance to enable the objecting party to meet such evidence.

### STATEMENT OF THE CASE

The Federal Circuit had jurisdiction over Colt's appeal because the claim Christianson actually litigated and prevailed upon was based on patent law. Christianson asserted, and the district court found, that nine Colt patents were invalid for failure to disclose the manufacturing data necessary to mass produce interchangeable rifle parts. Based solely on its construction of 35 U.S.C. § 112 of the patent laws, the court concluded that trade secret protection of Colt's manufacturing data was pre-empted by the patent laws and the trade secrets should be disgorged. Without any further findings beyond the patent law violations, the district court imposed antitrust liability. Although this result was manifestly destructive to Colt's patent and trade secret rights, and to the rights of patentees in general, the appeal travelled from the Federal Circuit to the Seventh Circuit and back to the Federal Circuit on the jurisdictional question here under review.

There is no dispute that the patent issue is the focus of the case. The dispute is whether that issue arose in plaintiffs' case or in a subsequent responsive pleading. The majority of the Federal Circuit panel declined to look beyond the poorly drafted complaint and accepted plaintiffs' characterization of it as asserting a group boycott claim with no allegation of patent and trade secret invalidity under section 112. The majority nevertheless took jurisdiction on an "interest of justice" basis and decided the merits. The Seventh Circuit and the Federal Circuit dissenter found it necessary to look at plaintiffs' summary judgment motion and other matters outside of the incomplete complaint and found that Christianson "was relying on Colt's alleged noncompliance with § 112 as the basis for his own cause of action." (PA-62)<sup>1</sup>

When the merits were finally reached after the "back-and-forth battering" on jurisdiction, (PA-28) they were readily and definitively resolved. Christianson's novel patent law conclusions were resoundingly rejected as "unprecedented," "preposterous,"

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<sup>1</sup> References beginning with "PA" are to the Appendices to the Petition for Writ of Certiorari; those beginning with "JA" are to the Joint Appendix. Petitioners' Brief on the Merits will herein be referenced as "Pet. Br."

and "absurd." (PA-30, 37, 40) But after three appellate reviews and the lapse of almost three years, the jurisdictional issue still stands in the way of finally putting this patent law heresy to rest.

#### *A. Colt's Patent and Trade Secret Rights*

In 1959, Colt Industries Operating Corp ("Colt")<sup>2</sup> acquired a license for sixteen patents and other rights to manufacture the rifle design then known as the "AR-15." Over the next several years, Colt developed a mass-producible version of this design that the United States Army subsequently adopted as its standard assault rifle and designated the "M16." (PA-42) Colt continued to refine this product, and obtained additional patents for improvements, some of which cover inventions that have been incorporated into the rifle. In addition to its patent rights, Colt developed and maintained as trade secrets the manufacturing data consisting of the dimensions, tolerances, material specifications, and processes necessary to mass manufacture the numerous components of the rifle and to permit parts interchangeability. (JA-96-97)

Most of this manufacturing data is set out in engineering drawings for the parts and components, and Colt maintains the secrecy of this data by a variety of measures, including placing proprietary legends on these drawings. (JA-18-19) As the district court found, (PA-74) Colt contracts with vendors (such as Casting Engineers and Martin Marietta) to make some of the "M16" parts, but all of these contracts require the vendors to maintain the secrecy of Colt's manufacturing data and not to use Colt's drawings to sell "M16" parts to others. *See also* Seventh Circuit opinion at PA-42; JA-68-73, 97-98.<sup>3</sup> Colt also requires all of its

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<sup>2</sup> Colt Industries Operating Corp is a wholly owned subsidiary of Colt Industries Inc.

<sup>3</sup> Colt has also licensed the United States government and the governments of Korea, Singapore, the Philippines, and Canada to manufacture "M16" rifles for their own use. (JA-19) Of the foreign licenses, all but Canada's have expired, but all of Colt's licensees and former licensees remain obligated to protect Colt's proprietary rights in the technical data needed to manufacture "M16" rifles. (*footnote continued*)

employees to sign written agreements to maintain the confidentiality of Colt's trade secrets, even after they leave Colt's employ. (PA-42-43; JA-20-21) In addition, Colt enforces its proprietary and other rights by periodically reminding its vendors and licensees of their contractual obligations, by sending cease-and-desist letters to entities suspected of improperly dealing in "M16" parts, and by litigation. (PA-43; JA-68-75)

#### *B. Christianson and the Springfield Litigation*

Charles R. Christianson is a former Colt employee who, like other Colt employees, signed an agreement prohibiting him from disclosing or misusing Colt's trade secrets. (JA-29-34, 37-38) Having worked extensively with Colt's foreign licensees, he was very knowledgeable about and had ready access to this technical and manufacturing information. (JA-20-21, 37)\* Within a month after leaving Colt in 1975, however, Christianson entered into "binding contracts" to obtain certain "M16" rifle parts from two Colt vendors in the United States (Casting Engineers and Martin Marietta) for resale to Colt's Philippine licensee. (JA-21-22, 38-39) Colt challenged Christianson's right to act as the intermediary in this transaction and the Philippine licensee's authority to obtain parts from United States vendors. Colt resolved the dispute by sending Christianson a letter limited to "the existing situation." Colt's letter withdrew Colt's objection to the filling of these "binding contracts," but expressly reserved Colt's rights "as to any future situations of this kind." (JA-63-65) Despite the fact that

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(JA-19) Colt is currently in an arbitration with the Government of Korea regarding Korea's failure to pay royalties under its terminated license and Korea's attempts to continue to use Colt's proprietary technical data to make "M16" rifles in Korea and sell them elsewhere in the world. *Colt Industries Operating Corp v. The Government of the Republic of Korea*, International Centre for Settlement of Investment Disputes, No. ARB/84/2.

\* Christianson specifically admitted having been aware that "Singapore, the Philippines and Korea obtained drawings and technical data through their licenses with Colt." (Answer ¶ 49, JA-37) He also admitted being aware that Colt placed restrictive legends on its engineering drawings and that he had "some awareness of the purported obligations of the Philippines and Korea." (Answer ¶ 51, JA-37)

this authorization was limited to specific 1975-76 transactions, Christianson continued, through the improper use of Colt's proprietary drawings, to supply parts to the Philippines and later to Singapore, and eventually to customers in the United States as well. (JA-22-23, 38-40)

Colt discovered this activity in 1983, after it learned that Springfield Armory, Inc. ("Springfield"), an Illinois corporation, was attempting to sell its own version of the "M16" rifle to the government of El Salvador. (PA-43) Colt commenced an action against Springfield and a related company in September 1983. (PA-3) In its complaint against the Springfield defendants, Colt asserted claims based on misappropriation of its trade secrets, as well as Lanham Act violations and patent infringement.

At a hearing in October 1983, the district court upheld Colt's trade secrets and granted a preliminary injunction against the Springfield defendants, finding incredible their defense that they had "reverse engineered" all the parts to the "M16" rifle. (PA-3, 43) Instead, the district court found that Springfield had simply copied Colt's proprietary drawings of "M16" parts. After the preliminary injunction was entered, Colt added Christianson and his company, International Trade Services, Inc. ("ITS") (collectively referred to herein as "Christianson"), to the *Springfield* lawsuit. (PA-3) Colt had learned in discovery that Christianson was one of Springfield's sources of supply for "M16" parts.

After the preliminary injunction hearing, the Springfield defendants and Christianson abandoned any attempt to prove reverse engineering. They instead adopted Colt's evidence on the near impossibility of reverse engineering this product. (PA-43-44) In their appeal from the preliminary injunction, the Springfield defendants instead raised their "novel theory" under 35 U.S.C. § 112 that Colt's patents should have disclosed sufficient information to enable them to mass produce Colt's "M16" rifle. (PA-3) This alleged section 112 violation, Springfield argued, gave Springfield the right to use Colt's trade secrets.

The Court of Appeals for the Federal Circuit rejected that theory, holding that "the evidence of record is totally lacking in

specifies" necessary to sustain a section 112 attack on Colt's patents, (JA-2) and unanimously affirming the preliminary injunction against the Springfield defendants.

While Springfield's appeal from the preliminary injunction was pending, Colt unsuccessfully attempted to extend the preliminary injunction to cover Christianson. The district court denied Colt's motion, primarily based on Christianson's assertions that he was out of business and therefore could cause no irreparable harm to Colt, and that Colt's alleged prior knowledge of his activities should amount to waiver, laches, and estoppel.<sup>8</sup> See transcript of argument on Colt's motion for a preliminary injunction against Christianson, Court of Appeals Appendix, A-114-27. Colt thereupon voluntarily dismissed its suit against Christianson without prejudice. (PA-43) Within days, Christianson commenced a new action against Coit, and Colt reasserted the claims against Christianson that it had previously voluntarily dismissed. Christianson's new case was consolidated with the *Springfield* case "for discovery purposes and for trial." (JA-50-51)

### C. Christianson's Complaint

Christianson's complaint, filed in May 1984, purports to be based on the antitrust laws. (JA-7) As the Seventh Circuit later observed, the "complaint was not artfully drafted. Even a cursory examination suggests that little attention was given to some rather important details." (PA-44) The Federal Circuit agreed. (PA-22) For example, the complaint contains no statement of the basis for federal jurisdiction (*i.e.*, 28 U.S.C. §§ 1331, 1332 or 1338). (PA-59) It has but a single cause of action that lumps together Sections 1 and 2 of the Sherman Act and does not articulate the elements of any particular antitrust theory. The complaint's only statement regarding market definition or market power is that

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<sup>8</sup> Both assertions were supported only by Christianson's own self-serving statements. As to one of these assertions, no independent evidence has ever been submitted in this case that Colt knew of Christianson's unauthorized arms dealings, which took place largely in the Far East. As to the other, subsequent discovery revealed that Christianson was not out of business, but was selling "M16" parts under another corporate name. (Court of Appeals Appendix, A-130-59, 183-88, 392-93)

"Colt controls nearly 100% of the domestic and foreign manufacture, market and sale of" its own product, the "M16" rifle. (Complaint ¶ 12, JA-8)

The complaint acknowledges that "during the late 1950's and early 1960's, Colt acquired certain rights to inventions and patents to a 5.56mm. automatic rifle." (Complaint ¶ 14, JA-9) The complaint next asserts that Colt licensed the United States government and others "with respect to said patents, but said licenses have extended beyond the expiration time of the patents, most of which have now expired." (Complaint ¶ 15, JA-9) Christianson does not, however, state any claim based on Colt's licenses.<sup>6</sup>

The complaint continues with the assertion that "as of 1980, the basic patents with respect to the Colt rifle . . . had expired." (Complaint ¶ 17, JA-9)<sup>7</sup> The Seventh Circuit later read the next

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<sup>6</sup> In the earlier *Springfield* case, Springfield had asserted that once Colt's "basic patents" with respect to the "M16" rifle had expired, Colt could not maintain any sort of monopoly with respect to the product. Any attempt to assert trade secret rights after the "basic patents" had expired would, according to Springfield, run afoul of the doctrine of *Brulotte v. Thys Co.*, 379 U.S. 29 (1964), which Springfield interpreted to mean that once a patent expires, all trade secret rights in the product also expire. All the *Brulotte* line of cases holds, however, is that a patent holder who has licensed both his patent and trade secret rights may no longer be entitled to receive royalties after the patents expire. There is no authority for the proposition that trade secrets that are not disclosed in the patent become invalid upon a patent's expiration. See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974).

The remnants of this *Brulotte* argument appear to be the genesis for some of the language of Christianson's complaint. The language of paragraph 18, for example, first appeared in a section of Springfield's initial brief in opposition to Colt's motion for a preliminary injunction (p. 11), in the context of Springfield's argument that Colt's patents had in fact disclosed all the technology necessary to manufacture an "M16" rifle, and that "unless Colt Industries' patents have been invalid all these years," this technology passed into public use upon the expiration of Colt's "basic patents."

<sup>7</sup> Actually, six of the Colt patents Christianson attacked on the summary judgment motion were unexpired at the time of the complaint, Nos. 3,236,155; 3,292,492; 3,301,133; 3,366,011; 3,440,751; and 3,453,762. (Court of Appeals Appendix, table of contents)

allegation as claiming patent and trade secret invalidity, while the Federal Circuit read it as alleging validity:

18. The validity of the Colt patents had been assumed throughout the life of the Colt patents through 1980. Unless such patents were invalid through the wrongful retention of proprietary information in contravention of United States Patent Law (35 U.S.C. § 112), in 1980, when such patents expired, anyone "who has ordinary skill in the rifle-making art" is able to use the technology of such expired patents for which Colt earlier had a monopoly position for 17 years.

(JA-9)<sup>8</sup> The complaint also makes reference to the limited permission that Colt gave ITS with respect to the 1975-76 sale of parts to the Philippines. Compare complaint ¶¶ 20-21, JA-9-10 with JA-63-65.

The acts of defendant that are alleged to form the basis for antitrust liability are all set forth in paragraph 22, (JA-10) and consist of Colt's attempts to enforce its trade secrets and other rights with respect to the "M16" rifle. These acts fall into two categories: (1) sending correspondence to customers and potential customers of ITS claiming that it would be illegal to do business with Christianson and ITS, including correspondence "asserting illegally [Colt's] claimed rights over M16 drawings, specifications and parts and accessories to the M16,"<sup>9</sup> and (2) filing

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<sup>8</sup> As the Seventh Circuit noted in analyzing these allegations, if Christianson only meant to say that Colt's patents were valid, he was not merely anticipating Colt's defense that its patents were valid. (PA-62) There would be no reason for Christianson to say anything in his complaint about Colt's patents if he did not attach some other significance to the fact that Colt had patents. The significance would appear to be Christianson's view that trade secrets should not be viable upon the expiration of a patent.

<sup>9</sup> Christianson has included in the Joint Appendix examples of the correspondence referred to in the complaint. They consist of a letter from Colt reminding its vendors of the restrictions in their contracts, including their obligation not to use Colt's "M16" drawings or specifications to make or sell parts to third parties. (JA-73) and letters from Colt's lawyers to Christianson's customers, putting  
(footnote continued)

a lawsuit against Christianson and ITS and voluntarily dismissing that lawsuit. Thus, the liability-provoking conduct on its face appears to be nothing more than Colt's campaign to protect its proprietary rights.

The complaint contains no allegations of a conspiracy or concerted action among Colt and its competitors, but merely states that in response to Colt's "unlawful" demands, suppliers and customers of ITS had "agreed with Colt to refrain from supplying and purchasing M-16 parts and accessories to or from ITS . . ." (Complaint ¶ 23, JA-11) In other words, Christianson's customers and suppliers acceded to Colt's alleged demands that they refrain from doing business with Christianson, and this "agreement" had the effect of driving Christianson out of business.

#### D. Christianson's Motion for Summary Judgment

In the district court, Christianson did not supplement or develop the purported antitrust theory of his complaint. Instead, Christianson attempted to meet the challenge of the Federal Circuit's decision in the *Springfield* case by providing the missing evidence, patent by patent, that the patents fail to satisfy 35 U.S.C. § 112. (JA-2) Thus, Christianson filed a motion for summary judgment purporting to prove a section 112 theory according to the Federal Circuit's "guidelines" in the *Springfield* appeal and even argued that the *Springfield* decision was law of the case. (JA-77, 90)<sup>10</sup> This motion also sought to establish Christianson's newly-added tortious interference with contract claim. (JA-4, 57-59)

Christianson did not articulate any antitrust theory in his motion for summary judgment, or even seek summary judgment

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them on notice of Colt's trade secret rights. (JA-68-73) As distinct from the patent/trade secret validity issue, this is essentially all the evidence of Colt's conduct in support of antitrust and tortious interference liability.

<sup>10</sup> The patents attacked were not the basic ones, which predated the development of the manufacturing data that Christianson wanted disclosed. He attacked the later patents, which concerned improvements and accessories to the "M16."

on antitrust liability. His briefs were bereft of antitrust analysis and were wholly devoted to patent law. See tables of contents: JA-76-80, 85-91. Christianson's motion sought to establish by this patent law theory "that Colt's trade secrets are invalid and that plaintiff's claim of invalidity shall be taken as established with respect to all claims and counterclaims to which said issue is material." (JA-58) (emphasis added)

Colt cross-moved for summary judgment that "Colt's proprietary drawings for the M16 rifle are valid and enforceable trade secrets," since the only trade secret invalidity argument advanced, namely section 112, was defective as a matter of law. (JA-81)<sup>11</sup> Colt's cross-motion also sought summary dismissal of Christianson's newly added tortious interference claim, on the ground that a claim based solely on Colt's cease-and-desist letters to suppliers and sellers of alleged "M16" parts failed to satisfy the requisite element of malice. (JA-83) Because "neither the patents nor the trade secrets have ever been invalidated, Colt was entitled to enforce them by advising third parties of its rights and the bona fide assertion of claims." (JA-83) Nothing was said about antitrust law in either Christianson's motion or Colt's cross-motion.

#### E. The District Court Decision

In May 1985, the district court granted plaintiff summary judgment. The district court accepted Christianson's novel theory that Colt's patents failed to satisfy 35 U.S.C. § 112 because they did not disclose the dimensions, tolerances, and specifications of Colt's commercial product, the "M16" rifle. (PA-73-91) The district court found the patents deficient not because any of them failed to disclose sufficient information to allow persons skilled in the art to practice the claimed inventions, but rather on the ground that

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<sup>11</sup> Colt acknowledged in its cross-motion that Christianson's defenses to Colt's counterclaims, of waiver, estoppel, and laches – defenses that Colt had not diligently policed Christianson's mischief (*supra* n.5 and accompanying text) – would remain for trial. (JA-82) Contrary to petitioners' suggestion, (Pet. Br. 42-43) Colt did not thereby acknowledge that the waiver defenses were being used affirmatively in the complaint to establish trade secret invalidity – nor could they. In any event, the only theory of trade secret invalidity on which Christianson sought judgment was §112.

Colt's product was "unique." (PA-75) There was absolutely nothing in the record, however, indicating that "M16" rifles are unique – either among rifles, or among many other products – in requiring interchangeable parts or in being difficult to reverse engineer. Indeed, the record reflects the obvious fact that many mass-manufactured products have these characteristics.

More importantly, none of the patents at issue claimed interchangeability as an invention. Nevertheless, without discussing the claims of any patent, the court found each of the challenged patents "invalid from its inception," because they did not enable the manufacture of interchangeable parts. (PA-89) Based on that conclusion and the discredited doctrine that patent law pre-empts state trade secret law, *see Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 492 (1974), the district court held that Colt should no longer be permitted to maintain any trade secrets pertaining to "M16" rifles, whether or not those trade secrets should have been disclosed in any particular patent. (PA-87-88)<sup>12</sup> Without any further discussion, the court leaped to the conclusion that final judgment on liability on both the antitrust count and the tortious interference count was appropriate. In finding antitrust liability, the court did not discuss any antitrust issues, such as market definition, market power, or concerted activity.<sup>13</sup> The court also entered summary judgment on plaintiff's tortious interference

<sup>12</sup> The court's narrower conclusion, that because the dimensions, tolerances, and other specifications necessary to assure parts interchangeability were not disclosed in the patents, they could no longer be maintained as trade secrets, was supported only by the 1920 Michigan Supreme Court case *Dow Chemical Co. v. American Bromine Co.*, 210 Mich. 262, 177 N.W. 996 (1920), which had not been cited for that proposition by a single federal court in the 65 years since it was written. Even *Dow Chemical* held the trade secrets at issue unenforceable on a number of other grounds, including the plaintiff's failure adequately to safeguard the secrecy of its processes and its delay in asserting that the processes were secret. That case does not support the proposition that a § 112 violation, standing alone, would permit a court to invalidate the party's trade secrets.

<sup>13</sup> The district court's opinion uses the word "monopoly" in several places, but appears in each case to be referring to Colt's patent monopoly. (PA-78, 80, 88) and liability appears to flow automatically from an improper extension of a "limited monopoly under the patents" and "flagrant abuse of the patent laws." (PA-87, 90)

claim, even though the sole evidence of tortious interference consisted of Colt's cease-and-desist letters and litigation to protect its trade secrets.

The district court entered its "final judgment on liability" on July 19, 1985, declaring nine Colt patents invalid and "all trade secrets relating to the M16" unenforceable and disgorged.<sup>14</sup> The court permanently enjoined Colt from enforcing "any form of trade secret right in any technical information relating to the M16," and ordered Colt to provide to Christianson all requested technical information relating to the "M16" rifle in existence prior to the entry of the order. Pursuant to Fed. R. Civ. P. 62(c), the district court stayed its judgment on liability and its injunction pending Colt's appeal. (JA-100-01)

#### F. Colt's Appeal to the Federal Circuit

Colt filed its appeal in the Court of Appeals for the Federal Circuit because the claims upon which the district court's judgment was based were wholly predicated upon a construction of the patent laws.<sup>15</sup> Faced with a decision "destructive to the rights

<sup>14</sup> The Federal Circuit was mistaken in its impression that Colt had "requested a holding that its own patents . . . were invalid." (PA-6) In comments on the form of judgment, Colt suggested that the judgment specifically list the patents the court had invalidated, because it was not at all clear either from Christianson's motion (which analyzed ten patents as a "representative portion" of the unspecified "remaining patents") or from the court's decision (which dealt with no specific patents) exactly which patents were declared "invalid from . . . inception." (Pet. Br. 7; PA-89; Defendant's Comments on Plaintiffs' Proposed Final Judgment on Liability, dated July 3, 1985, ¶ 5; Plaintiffs' Memorandum in Support of ITS Motion for Summary Judgment on the Unenforceability of the Alleged M16 Trade Secrets at 45-46) At a hearing on the form of the judgment, Christianson clarified that only nine of the patents had been invalidated. (Transcript of Hearing on Form of Judgment, held July 19, 1985, at 8-9) At the time of the district court's judgment, five of the nine invalidated patents were still unexpired.

<sup>15</sup> Colt predicated jurisdiction of its appeal on 28 U.S.C. § 1292(a)(1), which, *inter alia*, grants jurisdiction to the courts of appeals from interlocutory orders "granting, continuing, modifying, refusing or dissolving injunctions . . ." This (Footnote continued)

of patentees" in general (PA-40) and devastating to Colt's patent and trade secret rights in particular,<sup>16</sup> Colt sought expedition at every step in the appellate process and at no time challenged the jurisdiction of either appellate court. (JA-102-09) Colt filed its opening brief in the Federal Circuit a month early and requested expedited consideration of the merits. (JA-102-04) Christianson succeeded in opposing that motion and obtaining a stay of briefing of the merits pending consideration of Christianson's motion to transfer the appeal to the Seventh Circuit.

The Federal Circuit granted Christianson's motion to transfer on December 4, 1985, in an unpublished opinion stating only that: "Having reviewed the submissions of the parties, as well as the pleadings filed in the district court, this court can discern no basis for jurisdiction in the Court of Appeals for the Federal Circuit." (PA-63)

#### G. The Seventh Circuit Decision

In the Seventh Circuit, Colt again requested expedited treatment, (JA-105-09) which was granted. (JA-110) Colt did not challenge the Seventh Circuit's jurisdiction. At oral argument, the court *sua sponte* raised the jurisdictional issue and, on August 19, 1986, ordered the appeal retransferred to the Federal Circuit. (PA-41)

The Seventh Circuit decided first, that it was not bound by the Federal Circuit's transfer order of December 4, 1985, because

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statute also grants exclusive jurisdiction to the Court of Appeals for the Federal Circuit "of an appeal from an interlocutory order or decree described in subsection (a) or (b) of this section in any case over which the court would have jurisdiction of an appeal under section 1295 of this title . . .".

<sup>16</sup> The rights expunged by the district court were and still are licensed by Colt to the United States government and to Canada, and are the subject of disputes with former licensees like the Republic of Korea, which has used the district court's § 112 theory to claim that it is free to ignore its contractual obligations and Colt's patents and trade secrets and make and sell "M16" parts anywhere in the world. See JA-103; *Colt Industries Operating Corp v. The Government of the Republic of Korea*, International Centre for Settlement of Investment Disputes, No. ARB/84/2.

the Federal Circuit's decision was "clearly wrong" and because its summary order "has considerably less persuasive force than a full opinion on the complex questions presented." (PA-51, 53 n.7) Since Christianson's complaint was "astoundingly brief" (PA-45) and was "not artfully drafted," (PA-44)<sup>17</sup> the court looked beyond the pleadings to fill in the "necessary" allegations and "substance." (PA-58) The court considered "arguments made outside the pleadings," (PA 58-59) including Christianson's motion for summary judgment, in order to supply the omitted but necessary allegations:

The crux of the plaintiff's case is that, by failing to make the necessary disclosures under § 112, Colt is extending its exclusionary rights beyond the 17-year life of the M16 patents, a result inconsistent with the objectives of the patent system. Christianson's allegations (especially those concerning the antitrust violations) are completely inconsistent with the position that Colt *complied* with § 112 and that it is now attempting to maintain as trade secrets information already in the public domain due to the disclosures in the relevant patent applications. We agree, therefore, with the district court's statement that the plaintiff's position was that Colt, due to its failure to make full disclosures of its claims of invention, could not assert its claims of trade secrecy against Christianson.

(PA-60-61) (emphasis in original) Rejecting as "disingenuous" Christianson's position that section 112 was raised only in response to a Colt defense, (PA-61) the Seventh Circuit held that Christianson "was relying on Colt's alleged noncompliance with § 112 as the basis for his own cause of action." (PA-62) The case therefore arose under the patent laws and the Seventh Circuit transferred the appeal back to the Federal Circuit.

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<sup>17</sup> The Seventh Circuit apparently meant only that the complaint was poorly drafted. The court did not expressly discuss the "artful pleading" doctrine raised, for example, in *Federated Department Stores, Inc. v. Moitie*, 452 U.S. 394, 397 n.2 (1981).

### H. The Federal Circuit Decision

Upon retransfer, Colt again moved for and obtained an expedited schedule. (JA-112) Christianson again made a jurisdictional motion, this time to *dismiss* the appeal,<sup>18</sup> and the parties argued the merits for a second time. (JA-112) The Federal Circuit denied Christianson's motion to dismiss and held that, even though the court disagreed with the Seventh Circuit's decision on jurisdiction, a decision on the merits rather than a third transfer was "in the interest of justice." (PA-27-28, 36) Judge Nichols dissented from the panel's jurisdictional analysis, and would have found jurisdiction by accepting the Seventh Circuit's decision as being the "first fully articulated view" on the issue. (PA-39)

On the merits, there was absolute unanimity. Despite the majority's view that this was not a patent case, the analysis of the merits was devoted entirely to patent law construction and application. The Federal Circuit held that "[t]he district court's view that Colt violated section 112, by failing to disclose in each of its nine patents all its dimensions, tolerances, and production drawings needed to mass produce the M-16 rifle, rest[ed] on an error of law." (PA-31) The district court's critical error was its failure to measure patent disclosure by the claimed inventions. (PA-33)

Instead, as the Federal Circuit held, the district court had focused on the wrong issue: whether the patents disclosed sufficient information to enable the mass production of parts interchangeable with those used in Colt's commercial product. The Federal Circuit noted that "interchangeability with M-16 parts appears nowhere as a limitation in any claim." (PA-33) Therefore, "there is nothing whatever to indicate that Christianson is unable to make and use the *claimed* inventions." (*Id.*) (emphasis in original) The Federal Circuit found that "there was *no testimony* and *no evidence* indicating that the disclosures in the involved patents do not enable one skilled in the art to practice the

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<sup>18</sup> Even though Colt had not challenged the Seventh Circuit's jurisdiction, Christianson argued to the Federal Circuit that the jurisdictional statement in Colt's brief had somehow misled the Seventh Circuit into adopting an erroneous interpretation of Christianson's complaint and that dismissal was therefore warranted. (JA-114)

inventions disclosed and *claimed* in those patents." (*Id.*) (emphasis in original) Section 112 requires no more. Nor could the Court of Appeals discern any policies of the patent system that would require the detailed disclosure Christianson sought:

[T]he law has never required that a patentee who elects to manufacture its claimed invention must disclose in its patent the dimensions, tolerances, drawings, and other parameters of mass production not necessary to enable one skilled in the art to practice (as distinguished from mass-produce) the invention. Nor is it an objective of the patent system to supply, free of charge, production data and production drawings to competing manufacturers. And that is well, for such a requirement would be irrational. Many inventions are never manufactured; the decision to manufacture may be taken well after the patent has issued; printing a thousand or more documents in the patent would often be required. For those and other reasons, the law requires that patents disclose inventions, not mass-production data, and that patents enable the practice of inventions, not the organization and operation of factories. The requirement for disclosure of sufficient information to enable one skilled in the art to practice the best mode of the *claimed* invention is and has been proven fully adequate for over 150 years.

(PA-32) (emphasis in original)

As the Federal Circuit found, "[t]he district court's only basis for invalidating Colt's claim to production trade secrets was its view that failure to disclose them constituted noncompliance with section 112." (PA-34) There being no basis for finding a section 112 violation, no basis remained for the district court's rulings invalidating Colt's patents and trade secrets or finding Colt liable for antitrust violations. (PA-35) The Court of Appeals therefore reversed and vacated the district court's decision in its entirety.<sup>19</sup>

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<sup>19</sup> As one commentator observed, the Federal Circuit's decision "returned patent and trade secret laws back to normal and avoided a legal situation that *Footnote continued*.)

While Colt's rights were finally reinstated, it took two full years to overturn a decision the Federal Circuit labelled as "irrational," "preposterous," and "absurd." (PA-32, 37, 40) Even though the district court's decision was stayed pending appeal, Colt's five unexpired patents and all its trade secrets remained under a cloud because of the jurisdictional impasse. At least one of Colt's former licensees, the Government of the Republic of Korea, attempted to rely upon Judge Morgan's erroneous decision to deny Colt its ability to enforce the trade secrets and to receive royalties. Indeed, Korea has taken the position, in an arbitration with Colt, that the Federal Circuit's decision is a nullity and that Judge Morgan's decision still stands. See *supra* n.16.

### SUMMARY OF ARGUMENT

Both circuit courts found Christianson's complaint to be badly drafted and incomplete. Its necessary allegations, however, are revealed by its genesis in the related *Springfield* litigation, by Christianson's summary judgment motion, and by the decision on liability. Those allegations include, as the crux of the case, the invalidity of Colt's patents and trade secrets due to Colt's purported failure to comply with section 112 of the patent laws. Thus, this case arose under the patent laws, placing jurisdiction over Colt's appeal in the Federal Circuit.

The acts of Colt complained of by Christianson, and on which antitrust liability was premised – sending enforcement letters and commencing litigation to protect trade secret rights – could not form the basis for antitrust or tort liability if Colt's trade secrets were presumed to be valid. Indeed, the complaint affirmatively alleges that Colt's "claimed rights over M16 drawings" were asserted "illegally." (Complaint ¶ 22(c), JA-10) Moreover, Christianson never challenged the validity of Colt's trade secrets on any ground other than Colt's failure to disclose them in its patent applications. As the Seventh Circuit recognized, Christianson's allegations do not support a cognizable antitrust claim in

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indeed would have been "irrational." M. Jager, *Trade Secrets Law* § 10.01[1] at 10-3-10-6 (1987). During the nearly two years that the district court's decision was on the books, it was not cited in a single reported decision.

the absence of an affirmative assertion of trade secret invalidity, and the only theory offered to invalidate the trade secrets depended on section 112. Christianson's complaint, well-pleaded, should be read to include these necessary allegations.

Even if section 112 allegations were not expressed in the complaint, the district court's finding of liability obviously depended on finding Colt in violation of the patent laws. The pleadings should therefore be deemed amended by the proof Christianson presented in support of his summary judgment motion, and by the district court's decision. Because the district court imposed "antitrust" and tort liability based entirely on its finding that Colt committed a "flagrant abuse" of section 112 of the patent laws, Colt's appeal belonged in the Federal Circuit.

Christianson cannot avoid Federal Circuit jurisdiction over this fundamentally patent-based claim by calling his complaint – for the first time on appeal – a group boycott claim. The necessary allegations of a group boycott claim do not appear in the complaint; no proof was offered on any issues essential to finding a group boycott; and the district court's decision plainly did not rely on a group boycott analysis.

Instead, the theory of liability presented to the district court was essentially an attempt to win the section 112 argument that Christianson's co-defendants in the *Springfield* case had lost only a few months earlier. Requiring Colt to take the second appeal testing this same theory to a regional circuit would have been particularly inconsistent with the purpose of the jurisdictional statute: to promote uniformity of patent decisions and discourage forum shopping in the patent area.

Finally, Colt had an unquestioned right of appeal to a court of appeals and the district court's decision on the merits cried out for swift reversal. In this circumstance – and where a novel claim was based on several different areas of law and fit into no recognizable category – the law of the case doctrine should have prevented a transferee court from revisiting a decided jurisdictional issue and subjecting the parties to a "back-and-forth battering." (PA-28) The Federal Circuit was therefore correct to decide the merits not only because rendering a decision was "in the interest of justice," but also because its sister court

had already determined, in the first fully articulated opinion on the subject, that Christianson's case in fact arose under the patent laws.

## ARGUMENT

### I.

#### THE FEDERAL CIRCUIT HAD JURISDICTION OVER COLT'S APPEAL.

##### A. *The Federal Circuit Has Jurisdiction Over Cases Arising Under the Patent Laws.*

The Federal Circuit has exclusive jurisdiction over appeals in cases where the district court's jurisdiction was based, "in whole or in part," on a patent or plant variety claim under 28 U.S.C. § 1338. 28 U.S.C. §§ 1292(c), 1295(a)(1).<sup>20</sup> Congress intended that cases arising under the patent laws "will be within the jurisdiction of the Court of Appeals for the Federal Circuit in the same sense that cases are said to 'arise under' federal law for purposes of federal question jurisdiction." H.R. Rep. No. 312, 97th Cong., 1st Sess. 41 (1981).<sup>21</sup>

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<sup>20</sup> The district court's order in this case was appealable under 28 U.S.C. § 1292 because of its injunctive provisions. Although the order is titled a "final judgment on liability," it did not resolve all issues and would not appear to be appealable under § 1295. Section 1295 is important only insofar as it is incorporated by reference in § 1292(c).

<sup>21</sup> Although the test for determining Federal Circuit jurisdiction may be similar to the test for determining federal question jurisdiction in the district courts, it is important to recognize that the consequences of these determinations are very different in each context. All that is at stake where Federal Circuit jurisdiction is at issue is *which* federal appellate court will hear an appeal. On the other hand, where federal question jurisdiction is at issue, principles of state sovereignty and constitutional issues of federalism come into play. See *Merrell Dow Pharmaceuticals Inc. v. Thompson*, 478 U.S. 804, 106 S. Ct. 3229, 3233 (1986) ("determinations about federal jurisdiction require sensitive judgments about congressional intent, judicial power, and the federal system"); see also *Federated Department Stores, Inc. v. Moitie*, 452 U.S. 394, 407 (1981) (Brennan, J., dissenting); see generally Cihlar & Goldstein, *A Dialogue About the Potential Issues in the Patent Jurisdiction of the Court of Appeals for the Federal Circuit*, 10 APLA Q.J. 284, 286 (1982).

The Federal Circuit has construed the jurisdictional provisions of the Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982), to mean that it has "case" jurisdiction, as opposed to "issue" jurisdiction. *Atari v. JS & A Group, Inc.*, 747 F.2d 1422 (Fed Cir. 1984) (*en banc*).<sup>22</sup> In other words, as long as at least one claim in the complaint arises under the patent laws, the Federal Circuit will hear all appeals in that case. See also Seventh Circuit opinion at PA-54. Therefore, even if Christianson asserted more than one theory of liability in his complaint, all appeals in the case should be heard by the Federal Circuit as long as at least one of Christianson's theories arose under the patent laws.

A suit may arise under the patent laws if it actually "arises under the law that creates the cause of action." *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260 (1916) (Holmes, J.). Christianson argues that his cause of action does not fit within any recognized statutory patent law claim, (Pet. Br. 23 n.11) and both circuit courts found that this case did not "arise under" the patent laws under the Holmes "creation" test. (PA-8, 59-60) As discussed *infra* at 28-29, however, the district court appears to have dealt with an implied cause of action created by the patent laws.

Even apart from the "creation" test, a claim may still be found to arise under the patent laws in cases where the plaintiff seeks to vindicate a right under some other law "that would be defeated by one or sustained by an opposite construction of [the patent] laws." *Beghin-Say International Inc. v. Rasmussen*, 733 F.2d 1568, 1570 (Fed. Cir. 1984).<sup>23</sup> As this Court recognized in *Franchise Tax*

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<sup>22</sup> Another reading of the Federal Circuit's statutory authority would give that court jurisdiction not over all cases that include patent claims, but over all appeals raising patent issues. If this Court should determine that the Federal Circuit has "issue" jurisdiction similar to the jurisdiction of the Temporary Emergency Court of Appeals, see *Coastal States Marketing, Inc. v. New England Petroleum Corp.*, 604 F.2d 179 (2d Cir. 1979), this case would be quickly resolved.

<sup>23</sup> The test for patent jurisdiction articulated by the Federal Circuit in *Beghin-Say* has been applied by this Court in patent cases. See, e.g., *Excelsior Wooden* (footnote continued)

*Board of California v. Construction Laborers Vacation Trust for Southern California*, 463 U.S. 1, 13 (1983), where a state law claim contains a federal law element, the claim may still “arise under” federal law if “it appears that some substantial, disputed question of federal law is a necessary element of one of the well-pleaded state claims . . . .” *Id.* The federal element must be “basic” and “necessary,” as opposed to “collateral” or “merely possible.” *Gully v. First Nat. Bank in Meridian*, 299 U.S. 109, 118 (1936). See also *Hunter v. United Van Lines*, 746 F.2d 635, 646 (9th Cir. 1984), cert. denied, 474 U.S. 863 (1985) and cases cited therein.

This Court’s decision in *Merrell Dow Pharmaceuticals Inc. v. Thompson*, 478 U.S. 804, 106 S. Ct. 3229 (1986), is consistent with this analysis. In *Merrell Dow*, the only federal allegation was that the defendant’s failure to label a drug in accordance with the Federal Food, Drug, and Cosmetic Act constituted a “rebuttable presumption of negligence,” thus helping to establish one element of a tort claim. *Id.* at 3231. This Court held that the mere presence of this evidentiary issue “as an element of the state tort is not the kind of adjudication for which jurisdiction would serve congressional purposes and the federal system.” *Id.* at 3235-36.

In *Merrell Dow*, this Court applied a test for federal “arising under” jurisdiction that measured the significance of the federal element in a state claim. *Id.* The pragmatic test was articulated by Justice Cardozo in *Gully*: “a selective process which picks the substantial causes out of the web and lays the other ones aside.” 299 U.S. at 117-18 (quoted in *Merrell Dow*, 106 S. Ct. at 3235). Under that test, the patent law element of Christianson’s claim

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*Pipe Co. v. Pacific Bridge Co.*, 185 U.S. 282, 286 (1902); *Henry v. A.B. Dick Co.*, 224 U.S. 1, 16 (1912).

In the analogous area of federal question “arising under” jurisdiction, a similar test has been used to define the constitutional limits of federal jurisdiction, although 28 U.S.C. § 1331 has been construed more narrowly. See, e.g., *Verlinden B.V. v. Central Bank of Nigeria*, 461 U.S. 480, 494-95 (1983). The legislative history of 28 U.S.C. § 1295 supports the less restrictive construction of “arising under” jurisdiction, where there is no tension between federal and state courts, but only a choice to be made between the regional courts of appeals and the Federal Circuit.

is of paramount significance. Patent law questions are “substantial” and “necessary element[s]” of Christianson’s claim, in that he had to “establish both the correctness and the applicability [of those patent law precepts] to his case.” *Franchise Tax Board*, 463 U.S. at 9, 13. Indeed, Christianson does not dispute the significance of the section 112 issue.<sup>24</sup> His argument is only that this critical issue arose in response to Colt’s defense, and not in the complaint.

Christianson’s patent theory should properly be viewed as the essential part of his affirmative claim for relief because (1) under the well-pleaded complaint rule, the courts are not restricted to the language of the complaint, but are obliged to fill in its necessary allegations, (2) the court of appeals is also required to consider the claim that formed the actual basis of liability, and thus deem the complaint amended by the district court’s decision, and (3) the complaint would not state an antitrust claim at all, if it were limited to what Christianson now says it means.

#### B. The “Well-Pleaded” Allegations of the Complaint Depend on the Patent Laws.

Both the Seventh and the Federal Circuits considered whether this case arose under the patent laws in terms of the “well-pleaded complaint” doctrine, “which requires that the plaintiff’s complaint establish that the case ‘arises under’ federal law.” (PA-57)<sup>25</sup> The

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<sup>24</sup> Christianson conceded in his transfer motion that the § 112 issue “is the focus of this case.” (Appellee’s Reply to Appellant’s Opposition to Appellee’s Motion to Transfer at 2)

<sup>25</sup> One commentator has suggested, however, that the Federal Circuit should not be bound by the well-pleaded complaint rule, arguing that the rule “is inconsistent with the congressional mandates to avoid bifurcation of appeals, to avoid specialization, and to avoid forum-shopping.” Hale, *The “Arising Under” Jurisdiction of the Federal Circuit: An Opportunity for Uniformity in Patent Law*, 14 Fla. St. U.L. Rev. 229, 263 (1986).

The stricter contours of well-pleaded complaint doctrine have evolved in the context of removal jurisdiction, which differs from Federal Circuit jurisdiction in significant ways. See, e.g., *Caterpillar Inc. v. Williams*, 107 S. Ct. 2425 (1987);

(footnote continued)

theory of Christianson's complaint, however, is not easy to discern from the written pleading.

Both appellate courts criticized the manner in which the complaint was drafted. The Seventh Circuit noted that "[e]ven a cursory examination of the pleading suggests that little attention was given to some rather important details. . . . In addition, given the complexity of the factual and legal questions presented, the complaint is astoundingly brief." (PA-44-45) The Federal Circuit agreed that the complaint was poorly drafted (twice echoing the Seventh Circuit's comment that it was "inartful") and added that the key paragraph containing patent language was both "convoluted" and "disjointed." (PA-4, 22) It is clear from the complaint only that liability is premised on Colt's acts of protecting its claimed rights in the "M16" rifle by enforcing its restrictive contracts with suppliers, by sending letters to third parties, and by litigation. The *theory* of liability is not clearly stated: it may be based on either Section 1 or Section 2 of the Sherman Act; it may be based on an improper extension of Colt's patents; or it may be based on the assertion of invalid trade secret and patent rights.

It is appropriate, under the well-pleaded complaint rule, for a court to look to the record to elucidate a theory of liability that may not be stated clearly in the complaint. Where the "factual predicate" for a legal theory exists, the court may look beyond the complaint to gain a better understanding of that theory. See *Bender v. Williamsport Area School District*, 475 U.S. 534, 547 (1986). The Federal Circuit has held that "[s]ubstance, not form, controls our [jurisdictional] determination," and that it should

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*Metropolitan Life Insurance Co. v. Taylor*, 107 S. Ct. 1542 (1987); *Franchise Tax Board of California v. Construction Laborers Vacation Trust for Southern California*, 463 U.S. 1 (1983). The relevant inquiry has been whether or not federal law pre-empts state law so completely as to warrant removal to federal court of an action commenced in state court by a complaint pleaded in terms of state law. Most importantly, the removal area is the quintessential area where federal question issues must be resolved with sensitivity to underlying principles of federalism. See *supra* n.21.

"recharacterize pleadings which would improperly evade the intent of Congress." *Chemical Engineering Corp. v. Marlo, Inc.*, 754 F.2d 331, 333 (Fed. Cir. 1984); see also *In re Snap-On Tools Corp.*, 720 F.2d 654, 655 (Fed. Cir. 1983); *Air Products & Chemicals, Inc. v. Reichhold Chemicals, Inc.*, 755 F.2d 1559, 1561 (Fed. Cir. 1985), cert. dismissed, 473 U.S. 929 (1985).

As the Seventh Circuit explained in this case: "We . . . are to consider the 'well-pleaded' allegations *necessary* to the substance of the plaintiff's claim. These 'necessary' allegations may or may not appear in the actual complaint." (PA-58) (emphasis in original)<sup>28</sup> In this case, the "well-pleaded" complaint must include an allegation of trade secret invalidity. Christianson's complaint would not even make sense if it only alleged that Colt was engaged in an effort to protect valid trade secrets. See Seventh Circuit opinion, PA-62 n.14. In fact, the complaint alleges that Colt sent letters that "assert[ed] illegally its *claimed* rights over M-16 drawings . . . and *falsely* stating that 'Colt's right' to proprietary data had been 'consistently upheld in various courts.'" (JA-10) (emphasis supplied) To remove the italicized adjectives and adverbs from this allegation would eliminate its bite.

As the Seventh Circuit found, if the interpretation of his complaint Christianson asserts on appeal were to be sustained, "then

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<sup>28</sup> In some cases where allegations are omitted from a complaint, the "artful pleading" doctrine has been employed to prevent the plaintiff from manipulating jurisdiction. "[C]ourts 'will not permit plaintiff to use artful pleading to close off defendant's right to a federal forum.'" *Federated Department Stores, Inc. v. Moitie*, 452 U.S. 394, 397 n.2 (1981) (citation omitted). Thus, a plaintiff may not disguise the true nature of his claims to evade jurisdictional rules. See, e.g., *Treadaway v. Academy of Motion Picture Arts & Sciences*, 783 F.2d 1418, 1421 n.3 (9th Cir. 1986). Where, as here, a plaintiff purports to have pleaded one theory, but proved another, his complaint should be deemed "artful."

It has been suggested that where Federal Circuit jurisdiction is concerned, the artful pleading doctrine should be applied more readily than it might be in other circumstances, to enforce the congressional policy of preventing forum shopping. See Cihlar & Goldstein, *A Dialogue About the Potential Issues in the Patent Jurisdiction of the Court of Appeals for the Federal Circuit*, 10 APLA Q.J. 284, 287, 297 (1982).

Colt (1) has not improperly extended its patent monopoly by way of trade-secret law and (2) has simply engaged in a vigorous campaign to protect its allegedly proprietary information." (PA-61) The Federal Circuit also recognized that "Christianson had to and did mean that Colt was using an invalid claim to *trade secrets* to extend its monopoly. . . ." (PA-23) (emphasis in original) Plainly, Christianson's complaint was not merely alleging that Colt was protecting valid trade secrets.<sup>27</sup>

Although the section 112 theory Christianson used to invalidate the trade secrets can be discerned from the language of the complaint, (Seventh Circuit opinion, PA-61-62) it comes to life upon examination of Christianson's "arguments made outside the pleadings." (PA-58) The theory of liability Christianson argued in his motion for summary judgment depended first and foremost upon showing that Colt failed to disclose the manufacturing data necessary to ensure parts interchangeability in certain patent applications. Based solely on that showing, Christianson argued, Colt's trade secrets should be invalidated. It was appropriate to consider this argument as a means of filling in the missing allegations of Christianson's complaint.

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<sup>27</sup> Christianson suggests that one reason he did not need to show that the trade secrets were invalid was because he had access to them for eight years and had used them with Colt's permission. (Pet. Br. 31-34) Those issues, however, are relevant only, as Colt stated in its cross-motion for summary judgment, to Christianson's defenses to Colt's counterclaims for misappropriation of trade secrets, breach of contract, and interference with Colt's vendor contracts. (JA-82) Christianson's antitrust claim is not aided by the assertion that he had access to the trade secrets: if the trade secrets are valid, and Christianson obtained them improperly, Colt was still entitled to try to prevent Christianson from continuing to use them.

The "permission" issue is also a red herring because Christianson at most based his complaint only in part on the withdrawal of permission to use the trade secrets. (JA-9-10) The permission letter on its face limits Christianson to specific "binding contracts" existing in 1975. See *supra* 5. It is hardly a perpetual worldwide license that Colt "revoked" eight years later. But even if an antitrust claim could be built on this conduct, (1) it has not been litigated in this case, and (2) it would only accompany the § 112 claim actually litigated. One claim arising under the patent laws is enough to confer Federal Circuit jurisdiction. See *supra* 21.

The courts have recognized that "appellate court[s] must look beyond the stated jurisdictional basis to determine the nature of the claims actually litigated." *Handgards, Inc. v. Ethicon, Inc.*, 743 F.2d 1282, 1287 n.5 (9th Cir. 1984) (citing C. Wright & A. Miller, *Federal Practice & Procedure: Civil* § 1206 at 77 (1969)), *cert. denied*, 469 U.S. 1190 (1985). In this case, the claim actually litigated rested on showing that Colt violated the patent laws. Only if Colt's trade secrets could be invalidated by proving that Colt's patent disclosures were inadequate would Colt's enforcement efforts be considered a possible antitrust violation. As Judge Nichols expressed it, "the whole antitrust case collapses if the disclosures were in fact all the patent law required." (PA-40) The district court's decision makes this conclusion inescapable.

### C. The District Court's Decision Effectively Amended the Complaint.

1. Under Fed. R. Civ. P. 15(b), the complaint is deemed amended to conform to the proof.

Although the well-pleaded complaint rule, when rigorously applied to limit the inquiry to the four corners of the complaint, may serve the purpose of defining the basis of a district court's jurisdiction, it may not serve Congress' purpose in creating the Federal Circuit and defining its jurisdiction. When the question of appellate jurisdiction arises, a case has usually progressed far from the pleading stage. During the course of a litigation, pleadings may be amended, claims may be dropped, and the theory of a case may change altogether, with or without formal amendment. For purposes of appellate jurisdiction, therefore, due regard should be given to both actual and *de facto* amendments to the pleadings. In this case, Christianson's complaint at the time of appeal was amended by the proof and the theory of liability presented to and accepted by the district court.

It is well established that a complaint may be deemed amended to conform to the proof presented at trial or by summary judgment. Indeed, Rule 15(b) of the Federal Rules of Civil Procedure requires that treatment:

When issues not raised by the pleadings are tried by express or implied consent of the parties, they shall be treated in all respects as if they had been raised in the pleadings. Such amendment of the pleadings as may be necessary to cause them to conform to the evidence and to raise these issues may be made upon motion of any party at any time, even after judgment; but failure so to amend does not affect the result of the trial of these issues.

*See Curtis v. Loether*, 415 U.S. 189, 190 n.1 (1974); *New York City Transit Authority v. Beazer*, 440 U.S. 568, 605 n.10 (1979) (White, J., dissenting); *Eisenberg v. Insurance Co. of North America*, 815 F.2d 1285, 1288 n.1 (9th Cir. 1987); *Apple Barrel Productions, Inc. v. Beard*, 730 F.2d 384, 388 n.9 (5th Cir. 1984).

Whether or not the section 112 issue was raised in the complaint, in a responsive pleading, or by mere argument,<sup>28</sup> the district court effectively amended the complaint to conform to the section 112 theory and proof that it accepted. The district court not only treated the patent issues as a component of the claim, not a defense, but also as the foundation of the claim. Liability flowed automatically from the purported section 112 violations and the patent pre-emption concept without findings on any real antitrust issue. Thus, the claim upheld by the district court more closely resembles an implied cause of action under section 112 of the patent laws than any cognizable antitrust claim. Such a cause of action is created – if it is created at all – by the patent laws.<sup>29</sup> For jurisdictional purposes, therefore, it falls

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<sup>28</sup> As Judge Nichols recognized, even if the district court's decision was based on an argument, that "is not decisive if the court could and should have called for an amended complaint." (PA-40)

<sup>29</sup> By accepting Christianson's patent-based theory, the district court essentially implied a cause of action under § 112. *Merrell Dow Pharmaceuticals Inc. v. Thompson*, 475 U.S. 804, 106 S. Ct. 3229 (1986), enumerated the factors used to determine the existence of an implied federal cause of action. Christianson uses those factors to conclude that the § 112 issue is not substantial. That analysis leads him to the corollary conclusion that "Congress has not intended  
(footnote continued)

within the primary "arising under" category of cases described by the Holmes creation test. *See supra* 21.

Moreover, the district court's decision invalidated nine Colt patents, five of which had not yet expired at the time of the decision. The decision estopped Colt from enforcing the invalidated patents against anyone. The relief granted – invalidating live patents – makes this case a patent case and therefore places appellate jurisdiction in the Federal Circuit. *See C.R. Bard, Inc. v. Schwartz*, 716 F.2d 874 (Fed. Cir. 1983).

On some occasions, the Federal Circuit has looked at proceedings subsequent to the complaint to determine whether a case arises under the patent laws, a practical approach particularly for a court that is supposed to be concerned with live patent controversies. The court has held that "the term 'case' at the time of an actual determination of appellate jurisdiction refers collectively to the proceedings that transpired at the district court level when viewed pragmatically at the time of appeal." *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1436 (Fed. Cir. 1984) (*en banc*); *accord Bandag, Inc. v. Al Bolser's Tire Stores, Inc.*, 750 F.2d 903, 908 (Fed. Cir. 1984). Where a patent claim originally pleaded is no longer in the case at the time of appeal, through either dismissal or settlement, the Federal Circuit has consistently used the amended pleading at the time of the appeal to determine its jurisdiction. *See, e.g.*, *Gronholz v. Sears, Roebuck & Co.*, 836 F.2d 515 (Fed. Cir. 1987); *see also Schwarzkopf Development Corp. v. Ti-Coating, Inc.*, 800 F.2d 240 (Fed. Cir. 1986). The Federal Circuit failed in the instant case to apply this practical concept of examining the proceedings between complaint and appeal, not just formal amendments, to determine the nature

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a federal claim for § 112 violations." (Pet. Br. 37-41) This is true, but that is precisely the kind of liability imposed by the district court. As Judge Nichols commented, "[i]n deciding whether this is a claim to a right under the patent laws, we must not be misled by its sheer preposterousness, or its novelty." (PA-40) While a § 112 implied cause of action is not a legitimate legal theory, it is nonetheless determinative of jurisdiction in this case.

and components of the case that plaintiff actually presented for judicial determination.

**2. Basing Federal Circuit jurisdiction on the case that was actually litigated accords with congressional intent.**

The appeal of a district court decision that is exclusively devoted to and rests liability entirely upon patent law was intended by Congress to be heard by the Federal Circuit.<sup>20</sup> The creation of the Federal Circuit in 1982 was intended to "provide nationwide uniformity in patent law, . . . make the rules applied in patent litigation more predictable and . . . eliminate the expensive, time-consuming and unseemly forum shopping that characterize[d] litigation in the field." H.R. Rep. No. 312, 97th Cong., 1st Sess. 20 (1981).<sup>21</sup> The "central purpose" for directing patent appeals

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<sup>20</sup> Jurisdictional statutes are to be interpreted "in light of the purposes Congress sought to serve." *Chapman v. Houston Welfare Rights Organization*, 441 U.S. 600, 608 (1979).

<sup>21</sup> Several years earlier, Congress had created the so-called "Hruska Commission" – the Commission on Revision of the Federal Court Appellate System – to identify areas of the federal appellate system in need of change. See Pub. L. No. 92-489, 86 Stat. 807 (1972). After extensive hearings, the Hruska Commission issued a report singling out the area of patent law adjudication as being in serious need of reform. 67 F.R.D. 195, 369-71 (1975). As summarized by the House, the Hruska Commission report:

concluded that patent law is an area in which the application of the law to the facts of a case often produces different outcomes in different courtrooms in substantially similar cases. As a result, some circuit courts are regarded as "pro-patent" and other "anti-patent," and much time and money is expended in "shopping" for a favorable venue. In a Commission survey of practitioners, the patent bar reported that uncertainty created by the lack of national law precedent was a significant problem; the Commission found patent law to be an area in which widespread forum shopping was particularly acute.

H.R. Rep. No. 312, 97th Cong., 1st Sess. 20-21 (1981) (footnote omitted); see also S. Rep. No. 275, 97th Cong., 1st Sess. 5 (1981).

to the Federal Circuit was "to reduce the widespread lack of uniformity and uncertainty of legal doctrine that exist[ed] in the administration of patent law." *Id.* at 23. In addition, this reallocation of appeals would have "the beneficial effect of removing these unusually complex, technically difficult, and time-consuming cases from the dockets of the regional courts of appeals." *Id.* at 22-23.

Congress acknowledged, however, that it could not foresee every possible permutation of patent and non-patent claims arising in various cases, and therefore, as the House Committee on the Judiciary noted, "[s]hould questions legitimately arise respecting . . . the direction of appeals in particular cases, the Committee expects the courts to establish . . . jurisdictional guidelines respecting such cases." H.R. Rep. No. 312, 97th Cong., 1st Sess. 41 (1981). One such guideline should be that Federal Circuit jurisdiction is best determined by reference to the case actually litigated. This guideline recognizes that patent claims may fall by the wayside or spring up during a case, and directs the live patent controversies to the Federal Circuit. Equally important, it prevents the abuse of forum shopping by a plaintiff who pleads one theory for jurisdictional purposes, then proves a different one.

The Federal Circuit has been directed by Congress to increase doctrinal stability in the field of patent law. S. Rep. No. 275, 97th Cong., 1st Sess. 5 (1981). A claim that so clearly turns on an interpretation of the patent laws – and in particular on a novel interpretation of the patent laws – should be resolved by the Federal Circuit.

**D. Neither Christianson's Complaint Nor the District Court's Decision on Liability Articulates A Group Boycott Claim.**

While the plaintiff may be the master of his complaint at the pleading stage, the plaintiff is not entitled to adopt a wholly new theory of his complaint on appeal for jurisdictional purposes. Yet that is exactly what Christianson attempted to do on this appeal. Having obtained a judgment on liability based entirely on non-compliance with section 112, Christianson abandons that

basis when challenging appellate jurisdiction and adopts a reading of his complaint never asserted in the district court, contending that the complaint rests on a group boycott theory. The first time Christianson described his claim as a group boycott was in his answering brief on appeal to the Seventh Circuit. Such a claim is neither stated in the complaint nor mentioned in the district court's decision. The words "group boycott" and "concerted refusal to deal" appear neither in Christianson's complaint nor in his summary judgment motion.<sup>22</sup>

The only alleged Colt conduct in the complaint (¶ 22) consists of protecting and enforcing trade secrets. These actions include reminding Colt's vendors of contractual restrictions on the use and disclosure of Colt's technical data, (PA-73-75)<sup>23</sup> sending letters from lawyers notifying third parties who appeared to be dealing in real or counterfeit "M16" parts of Colt's patent, trade secret, and other rights, (JA-68-70) and litigation to enforce the trade secrets (the *Springfield* case) and to enforce Christianson's contractual and fiduciary duties to respect Colt's trade secrets. This conduct cannot be made into a group boycott claim. Furthermore, it does not implicate the antitrust laws at all, without an allegation that the patents and trade secrets are a sham.

Christianson's belated attempt to label this conduct a "group boycott" does not change Colt's unilateral legal actions into a Section 1 conspiracy, much less the type of horizontal combination among competitors that may be treated as a group boycott.<sup>24</sup>

<sup>22</sup> Indeed, the single use of the word "agreed" in paragraph 23 of the complaint is the only statement in the complaint that approaches an allegation of concerted activity. (JA-11) By contrast, the word "patent" appears in the complaint a total of thirteen times.

<sup>23</sup> Casting Engineers and Martin Marietta, the two parts suppliers named in the complaint, were Colt vendors who were under contractual obligation not to use Colt's trade secrets other than to supply Colt or the U.S. government.

<sup>24</sup> This distinguishes all of the boycott cases on which Christianson relies. *United States v. General Motors Corp.*, 384 U.S. 127, 143 (1966) ("dealers collaborated  
(footnote continued)

Christianson's bold contention that all he needed to do to make out "a *prima facie* case under the antitrust laws" is show that "he was driven out of business as a result of a concerted refusal to deal orchestrated by the defendant," (Pet. Br. 27) does not state a group boycott claim.

This Court recently cautioned that "[t]he category of restraints classed as group boycotts is not to be expanded indiscriminately, and the *per se* approach has generally been limited to cases in which firms with market power boycott suppliers or customers in order to discourage them from doing business with a competitor." *FTC v. Indiana Federation of Dentists*, 476 U.S. 447, 458 (1986). Similarly, in *Northwest Wholesale Stationers, Inc. v. Pacific Stationery & Printing Co.*, 472 U.S. 284, 298 (1985), this Court held that "[a] plaintiff seeking . . . *per se* [treatment] must present a threshold case that the challenged activity falls into a category likely to have predominantly anticompetitive effects. The mere allegation of a concerted refusal to deal does not suffice because not all concerted refusals to deal are predominantly anticompetitive." Instead, a plaintiff must make a showing that the challenged combination "possesses market power or unique access to a business element necessary for effective competition." *Id.*

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. . . among themselves and with General Motors . . . to forsake the discounters"; *United States v. Parke, Davis & Co.*, 362 U.S. 29, 46 (1960) ("substantial unanimity among the competitors" to policy of resale price maintenance); *Klor's, Inc. v. Broadway-Hale Stores, Inc.*, 359 U.S. 207, 212-13 (1959) ("a wide combination consisting of manufacturers, distributors and a retailer" to refuse to sell products to the plaintiff); *Kiefer-Stewart Co. v. Joseph E. Seagram & Sons*, 340 U.S. 211, 212 (1951) (agreement between two distillers to stop selling to wholesaler); *Fashion Originators' Guild of America, Inc. v. FTC*, 312 U.S. 457 (1941) (combination among textile and garment manufacturers and retailers to refrain from doing business with copiers).

*Fashion Originators'* in particular provides no support for Christianson's group boycott theory. In that case, the manufacturers combined together to police and enforce their claimed right to prevent the tortious activity of copying their product. 312 U.S. at 461. The Court held that the viability of those rights did not justify the concerted activity. *Id.* at 468. Here, by contrast, Colt enforced its rights alone, not in combination with other holders of trade secret rights.

Christianson never attempted to allege or prove that Colt had market power or unique access to a necessary business element.<sup>35</sup> Instead, all Christianson alleged was that Colt entered into and enforced arrangements to restrict the use of its trade secrets. Such arrangements have repeatedly been held to raise no antitrust questions.<sup>36</sup> Indeed, far from condemning such conduct as anticompetitive, this Court has stated that protecting trade secrets fosters competition. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 485 (1974). See also III P. Areeda & D. Turner, *Antitrust*

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<sup>35</sup> Christianson failed to allege market power in the relevant product and geographic markets beyond the bare assertion in his complaint that Colt controls nearly 100% of the "M16" rifle and parts "market." (Complaint ¶ 12, JA-8) On its face, the definition of a product market as comprising a single brand is insufficient. See, e.g., *United States v. E.I. du Pont de Nemours & Co.*, 351 U.S. 377 (1956). The complaint also lacks any definition of the relevant geographic market. See *Tampa Electric Co. v. Nashville Coal Co.*, 365 U.S. 320, 327 (1961) (under Clayton Act § 3).

Had a definition of the appropriate product and geographic markets been presented, it would have been apparent that the "M16" rifle is only one of a number of weapons that compete in a geographic market that includes governments and civilian buyers throughout most of the world. See, e.g., Court of Appeals Appendix, A-427. Colt has no monopoly in this highly competitive international rifle market. Colt merely controls the production of one particular brand of one particular type of automatic rifle. To say that Colt monopolizes the "M16" market, therefore, is as meaningless as saying that Mercedes-Benz monopolizes the Mercedes-Benz market. See *Metrix Warehouse, Inc. v. Daimler-Benz Aktiengesellschaft*, 1982-2 Trade Cas. (CCH) ¶ 64,861 at 72,291-94 (D. Md. 1982) (rejecting plaintiff's contention on a summary judgment motion in a tying case that the Mercedes-Benz automobile was a "unique" product with no competition in the relevant market), *rev'd in part on other grounds*, 716 F.2d 245 (4th Cir. 1983).

Commentators suggest that allegations of market power must appear in the complaint. Brunet & Sweeney, *Integrating Antitrust Procedure and Substance After Northwest Wholesale Stationers: Evolving Antitrust Approaches to Pleadings, Burden of Proof, and Boycotts*, 72 Va. L. Rev. 1015, 1073-74 (1986).

<sup>36</sup> Any restraints on trade involved in such contracts were "ancillary" to their main purpose of protecting Colt's trade secrets. See, e.g., *A. & E. Plastik Pak Co. v. Monsanto Co.*, 396 F.2d 710 (9th Cir. 1968); *KFC Corp. v. Marion-Kay Co.*, 620 F. Supp. 1160, 1166 (S.D. Ind. 1985); *Organic Chemicals, Inc. v. Carroll Products, Inc.*, 211 U.S.P.Q. 628 (W.D. Mich. 1981). See generally M. Jager, *Trade Secrets Law* § 11.02 (1987).

*Law*, ¶ 738j at 284 (1978). At most, such arrangements as Colt had with its vendors would be considered exclusive dealing contracts and would be judged under the rule of reason.<sup>37</sup> *324 Liquor Corp. v. Duffy*, 107 S. Ct. 720, 724 (1987) ("concerted nonprice restrictions imposed by a single manufacturer are to be judged under the rule of reason"); *Copperweld Corp. v. Independence Tube Corp.*, 467 U.S. 752, 768 (1984); *Continental T.V., Inc. v. GTE Sylvania Inc.*, 433 U.S. 36, 57-58 (1977).

Christianson's group boycott theory does not make sense for another reason. By purporting to relegate the trade secret enforceability issue to a defense by way of justification to the alleged boycott, (Pet. Br. 27) Christianson would remove the issue from the case entirely. Conduct that falls into a *per se* category cannot be justified, as Christianson at one point appears to recognize. See Pet. Br. 27; *Northwest Wholesale Stationers, Inc. v. Pacific Stationery & Printing Co.*, 472 U.S. at 294; *Arizona v. Maricopa County Medical Society*, 457 U.S. 332, 351 (1982). Thus, if this were a *per se* group boycott case, Colt would have had no opportunity to present the patent/trade secret validity issue as a defense, and Christianson would not have needed to expend such efforts in arguing that Colt's patent disclosures were inadequate. In short, any antitrust theory predicated on the enforcement of trade secrets requires that plaintiff, as part of his case, prove the trade secrets invalid. In fact, in his summary judgment motion, Christianson acknowledged the trade secret validity issue was "[b]asic and fundamental" to the lawsuit. (JA-57)

Christianson more plausibly described his antitrust theory in his transfer motion before the Federal Circuit and in oral argument before the Seventh Circuit. At those times, he stated that his antitrust claim was based on abusive enforcement of invalid

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<sup>37</sup> Moreover, the mere acquiescence of Colt vendors and Christianson's customers to Colt's demands that they respect Colt's proprietary rights does not establish an antitrust conspiracy, without a showing that the acquiescence is something more than a business decision to respect valid contractual obligations. See *Matsushita Electric Industrial Co. v. Zenith Radio Corp.*, 475 U.S. 574, 593-95 (1986); *Monsanto Co. v. Spray-Rite Service Corp.*, 465 U.S. 752, 768 (1984).

trade secrets.<sup>38</sup> His claim, forsaken on this appeal, would therefore be based on Section 2, not Section 1, of the Sherman Act. The starting point for such a claim is *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965), which set forth the elements of a monopolization claim based on an improperly procured patent.<sup>39</sup>

The First Circuit applied a variation of the *Walker Process* theory to abusive enforcement of trade secrets in *CVD, Inc. v. Raytheon Co.*, 769 F.2d 842 (1st Cir. 1985), *cert. denied*, 475 U.S. 1016 (1986). In that case, the Court of Appeals held that a party who knowingly asserts a false claim of protecting trade secrets may subject himself to antitrust liability. As the First Circuit stressed, however, an antitrust plaintiff must "prove, in addition to the other elements of an antitrust violation, by clear

<sup>38</sup> In his motion to transfer, Christianson stated that his complaint was based in part "upon Colt Industries' monopolization of the M-16 rifle and its parts through illegal restrictive covenants and active assertions and enforcement of alleged trade secrets . . ." (Motion to Transfer to the Court of Appeals for the Seventh Circuit at 13) Christianson's attorney also argued before the Seventh Circuit that "the case turns on a patent issue" and that "Colt's attempt to enforce trade secrets they're not entitled to enforce" constitutes an antitrust violation, and cited *CVD, Inc. v. Raytheon Co.*, 769 F.2d 842 (1st Cir. 1985), *cert. denied*, 475 U.S. 1016 (1986), *infra*, as a precedent for his antitrust theory. Transcript of Seventh Circuit oral argument, May 8, 1986, at 29, 42. (A copy of this transcript, made by a certified stenotype reporter from the court's official audio tape record, is available from Colt's attorneys upon request.)

<sup>39</sup> A patentee is entitled to a presumption that the infringement suit is brought in good faith, and the presumption can be rebutted only by clear and convincing evidence. See, e.g., *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986, 996 (9th Cir. 1979), *cert. denied*, 444 U.S. 1025 (1980). The Supreme Court has therefore required findings that the monopolist committed willful fraud on the Patent Office, as well as the other elements of a Sherman Act § 2 violation, including monopoly power in the relevant market, before an antitrust claim can be based on patent enforcement. Numerous court decisions interpreting *Walker Process* have stressed its stringent proof requirements. E.g., *Oetiker v. Jurid Werke GmbH*, 671 F.2d 596 (D.C. Cir. 1982); *Bendix Corp. v. Balax, Inc.*, 471 F.2d 149 (7th Cir. 1972), *cert. denied*, 414 U.S. 819 (1973); *Cataphote Corp. v. DeSoto Chemical Coatings, Inc.*, 450 F.2d 760, 772 (9th Cir. 1971), *cert. denied*, 408 U.S. 929 (1972); *GAF Corp. v. Eastman Kodak Co.*, 519 F. Supp. 1203 (S.D.N.Y. 1981).

and convincing evidence, that the defendant asserted trade secrets with the knowledge that no trade secrets existed." *Id.* at 851.

What is fundamental to such a Section 2 claim is the element of invalidity of the rights asserted; indeed the law requires not only technical invalidity, but also fraudulently obtained or asserted rights. Here, Christianson asserts that patent and trade secret invalidity is *not* part of his claim.<sup>40</sup> Since the only remotely plausible theory of antitrust liability depends upon a finding of trade secret invalidity, under Christianson's current interpretation of the complaint, no cause of action is stated. If Christianson has abandoned the patent law basis for the district court's imposition of antitrust liability, there is no other plausible theory left. The district court's judgment would have to be vacated because it is based on a theory Christianson now claims he never asserted as a basis for affirmative relief.<sup>41</sup>

<sup>40</sup> Thus, this Court need not decide whether all appeals in *Walker Process*-type antitrust cases should be directed to the Federal Circuit. This case did not proceed on a *Walker Process* theory, and petitioners do not contend that it does. Rather, the district court's decision on liability flowed directly from its finding that Colt violated the patent laws. The court did not consider or resolve any antitrust issues, only patent issues.

Although Congress did not specifically address where appeals in hybrid patent/antitrust cases should be directed, correspondence annexed to the Senate Report suggests that appeals in cases where patent misuse claims have been asserted should be directed to the Federal Circuit, since such claims are not "true" antitrust claims, but rather patent claims "merely couched in antitrust terms." S. Rep. No. 275, 97th Cong. 1st Sess., Appendix B at 37-38 (1981); accord Cihlar & Goldstein, *A Dialogue About the Potential Issues in the Patent Jurisdiction of the Court of Appeals for the Federal Circuit*, 10 APLA Q.J. 284, 292 (1982).

<sup>41</sup> It has been held that "intentional self-contradiction" may not be used by a litigant "as a means of obtaining unfair advantage." *Scarano v. Central R. Co. of New Jersey*, 203 F.2d 510, 512-13 (3d Cir. 1953). Thus "[i]n certain circumstances a party may properly be precluded as a matter of law from adopting a legal position in conflict with one earlier taken in the same or related litigation." *Allen v. Zurich Insurance Co.*, 667 F.2d 1162, 1166 (4th Cir. 1982). The doctrine of "judicial estoppel" is designed "to protect the essential integrity of the judicial process." *Id.* Judicial estoppel should prevent Christianson from changing his theory of liability at this stage.

## II.

**THE FEDERAL CIRCUIT HAD JURISDICTION BASED ON THE SEVENTH CIRCUIT'S TRANSFER DECISION.**

In response to the first question Christianson presents for review, Colt concedes that a court without any basis for jurisdiction does not have the power to decide a case. The issue here, however, is whether a court of appeals may decide an appeal when (1) the jurisdictional statute unequivocally vests jurisdiction in one of two courts of appeals, (2) one of those two courts has issued a carefully reasoned opinion concluding that the other court has jurisdiction, and (3) the statute provides for transfer in the event of a finding of no jurisdiction. In that situation, the Federal Circuit had the authority to decide Colt's appeal under law of the case principles.

*A. Colt Had An Absolute Right to Appeal.*

This petition does not present any questions of appellate jurisdiction *per se*. Petitioners do not dispute that Colt had an absolute right to appeal from the district court's injunction and judgment on liability. There is no gap in the jurisdictional statutes that would leave the party aggrieved by such an injunction without an appellate forum. The language of 28 U.S.C. § 1292(a) makes clear that if an appeal from such an interlocutory order does not fall within the exclusive jurisdiction of the Federal Circuit, it must by definition fall within the jurisdiction of the appropriate regional circuit court of appeals. (PA-53)

In this case, either the Federal Circuit or the Seventh Circuit had the unquestionable duty to hear this appeal. If both courts had persisted in refusing to hear the appeal, Colt would have been entitled to a writ of mandamus from this Court, directing the proper court of appeals to hear the appeal. See, e.g., *Harley-Davidson Motor Co. v. Buffington*, 259 U.S. 414, 417 (1922).<sup>41</sup>

<sup>41</sup> In the event this Court should conclude that the Federal Circuit did not have the authority to decide the merits, Colt requests that its appeal be transferred to the Seventh Circuit. See *Pacyna v. Marsh*, 474 U.S. 1078 (1986); *Ballam v. United States*, 474 U.S. 1078 (1986).

None of the cases Christianson cites in support of his argument that a court of appeals may not hear the merits of an appeal over which it does not have jurisdiction (Pet. Br. 14-17) deals with the situation in which the court of appeals – either the regional or the Federal Circuit – must have jurisdiction. Those cases either deal with federal jurisdiction in general or with the appealability of the order at issue. In those cases, the appropriate consequence upon a determination that the appellate court lacks jurisdiction is to deny the right to an appeal. This petition, on the other hand, presents only an issue of the division of responsibility between two courts of appeals, not an issue of appealability. If one court of appeals does not have jurisdiction, the other must have jurisdiction.

*B. The Federal Circuit Had the Power to Decide the Appeal Under Law of the Case Principles.*

The Federal Circuit's jurisdiction to decide Colt's appeal is supported by according "a decent respect to the first fully articulated view about a question of this kind." (Concurring and dissenting opinion of Judge Nichols, PA-39) As this Court has noted, "[a]s most commonly defined, the [law of the case] doctrine posits that when a court decides upon a rule of law, that decision should continue to govern the same issues in subsequent stages in the same case." *Arizona v. California*, 460 U.S. 605, 618 (1983). The law of the case doctrine is not limited to decisions made by a single court during the course of a litigation. As the Federal Circuit held in *Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 900 (Fed. Cir.), cert. denied, 469 U.S. 857 (1984), a court should accord "great deference" to the decision of another court of the same status. A court should not needlessly reopen issues already litigated and resolved by the other court. In that case, the Federal Circuit had no need to redecide an issue of patent infringement, already decided by the Ninth Circuit, where the parties had had an "eminently fair chance" to litigate that issue in the sister forum. *Id.*

Law of the case principles are particularly applicable to transfer decisions between federal courts at the same level. In this case, even though the Seventh Circuit decided that it had

the power to reconsider the Federal Circuit's first jurisdictional ruling, the Seventh Circuit also recognized that "a transfer should not give rise to a second opinion on every issue decided by the transferor court. . . ." (PA-51)

Justice Frankfurter pointed out in dissent in *Hoffman v. Blaski*, 363 U.S. 335, 348-49 (1960), that law of the case principles "are especially important in enforcing comity among federal courts of equal authority."<sup>43</sup> The Third Circuit closely scrutinized the applicability of law of the case doctrine to transfer rulings in *Hayman Cash Register Co. v. Sarokin*, 669 F.2d 162 (3d Cir. 1982). In that case, the transferee district court erred by disregarding the "fully considered finding" of the D.C. district court, after an appeal to the D.C. Circuit, that personal jurisdiction and venue were proper in New Jersey. *Id.* at 169-70.<sup>44</sup> The district court's retransfer order was therefore vacated. See also *Skil Corp. v. Millers Falls Co.*, 541 F.2d 554 (6th Cir.), cert. denied, 429 U.S. 1029 (1976); *Gulf Research & Development Co. v. Schlumberger Well Surveying Corp.*, 98 F. Supp. 198 (D. Del.), mandamus denied, 193 F.2d 302 (3d Cir. 1951), aff'd per curiam by an equally divided Court, 344 U.S. 861 (1952).

The issue of jurisdiction between two courts of appeals is more akin to the venue and personal jurisdiction issues in the above cases, than it is to the jurisdictional issues in the cases cited by

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<sup>43</sup> In *Hoffman*, the transfer order "did not purport to determine the jurisdiction of the transferee court," 363 U.S. at 340 n.9, and therefore was not considered *res judicata* or law of the case. Even so, Justice Frankfurter, writing in dissent for himself, Justice Harlan and Justice Brennan, would have barred reconsideration of that order under the "law of the case" rule. The dissenters perceived the case as one involving the "prior adjudication of [a] question at the same level of the federal system in the same case and between the same parties" and reasoned that the shuttling of cases back and forth under a transfer statute could not be condoned. 363 U.S. at 347-48.

<sup>44</sup> The fact that the transferor court in *Hayman* specifically decided that the transferee court had jurisdiction and that venue would be proper in the transferee court distinguishes that case from *Hoffman v. Blaski*, 363 U.S. 335 (1960). See *supra* n.43.

Christianson.<sup>45</sup> Multiple transfers under 28 U.S.C. § 1631 should be avoidable through greater deference to law of the case principles, without doing violence to any principles of federal jurisdiction. Here, the Seventh Circuit was the first appellate court to make a "fully articulated" ruling as to the jurisdiction of the Federal Circuit over Colt's appeal. The Seventh Circuit, after a thorough analysis of the complaint and what the litigation below revealed about the nature of the case, concluded that Christianson's claim turned on a theory of patent invalidity, and therefore arose under the patent laws. The Seventh Circuit's findings on the meaning of the complaint should have been given greater deference by the Federal Circuit as the "law of the case."<sup>46</sup> The Seventh Circuit's decision gave the Federal Circuit authority to review the merits regardless of that court's own view of its jurisdiction.

#### C. Christianson's Suggestion That The Appeal Should Be Dismissed Is Not Worthy of Serious Consideration.

Christianson seeks to deny Colt's right to appellate review altogether, even though Colt at no time challenged the jurisdiction of either the Federal or the Seventh Circuit<sup>47</sup> and at all times

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<sup>45</sup> In the words of one witness who submitted testimony to Congress, 28 U.S.C. § 1631 was needed as "an analog" of § 1406. See Hearings on Judicial Housekeeping Before the House Judiciary Subcommittee on Courts, Civil Liberties and the Administration of Justice, 95th Cong., 2d Sess. 383 (1978) (cited in S. Rep. No. 275, 97th Cong. 1st Sess. 11 n.15 (1981)). Others who testified also proposed that § 1631 be modelled after the venue transfer statutes. *Id.* at 379, 382.

<sup>46</sup> It follows, of course, that if the Court of Appeals for the Federal Circuit had issued the first fully articulated jurisdictional ruling, the Seventh Circuit would have been obliged to pay it greater deference and decide the merits. See Seventh Circuit opinion, PA-53 n.7.

<sup>47</sup> In its jurisdictional statement required by the Seventh Circuit rules, Colt merely reiterated its position, which it still maintains, that the complaint entirely depends on a § 112 determination, and even attempted to articulate the Federal Circuit's rationale:

(footnote continued)

sought an expeditious review of the merits. In contrast, Christianson moved to stay the briefing in the Federal Circuit, moved to transfer the appeal to the Seventh Circuit, and finally moved to dismiss the appeal. (JA-113) Christianson renews his motion to dismiss before this Court, arguing that Colt's statutory right to an appeal should be denied based on the absurd suggestion that Colt "misled" the Seventh Circuit by stating that the complaint "depends entirely" on the section 112 patent/trade secret invalidity claim.

Colt's statement to the Seventh Circuit is no different than its argument to the Federal Circuit and to this Court: the only theory of liability Christianson ever fully articulated and proved depended entirely on finding Colt's trade secrets invalid by reason of the alleged inadequacy of Colt's patent disclosures under 35 U.S.C. § 112. Even the Federal Circuit recognized, when it turned to the merits, that "[t]he district court's only basis for invalidating Colt's claim to production trade secrets was its view that failure to disclose them constituted noncompliance with section 112."

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This case fell between the cracks of the Federal Circuit's jurisdiction. Although the Federal Circuit was created to decide patent issues, *see Roberts v. Sears, Roebuck & Co.*, 723 F.2d 1324 (7th Cir. 1983), its jurisdictional statute (28 U.S.C. § 1295) does not mandate that the Federal Circuit "gets its hands on every appeal involving an allegation that a patent law issue is somehow involved." *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1429 (Fed. Cir. 1984). Rather, the Federal Circuit's appellate jurisdiction depends entirely on whether the district court's jurisdiction was based on a patent or plant variety protection claim under 28 U.S.C. § 1338. *Id.* at 1431. Thus, the Federal Circuit has recognized that regional courts of appeals will at times have to decide patent issues when they arise in other contexts. The Federal Circuit decided that this is such a case.

Brief of Appellant in the United States Court of Appeals for the Seventh Circuit, No. 86-1145, Feb. 5, 1986, at 3-4.

Further, when the Seventh Circuit inquired at oral argument whether Colt was still asserting the position that this case belongs in the Federal Circuit, Colt's counsel responded, "I am not pressing that point, your Honor." Transcript of Seventh Circuit oral argument at 8.

(PA-34) Christianson too has at times recognized that his antitrust claim depends on finding the trade secrets invalid under section 112. Christianson's current position that his complaint states a group boycott claim amounts to his saying that the complaint "means just what I choose it to mean."<sup>48</sup>

The Seventh Circuit and the Federal Circuit had the same record, the same briefs, the same jurisdictional motion papers, (PA-49 n.4) and the same arguments of counsel to draw upon. Their different interpretations of Christianson's complaint were a function of the poorly drafted complaint and the unprecedented theory of liability that were before them.

<sup>48</sup> "When I use a word," Humpty Dumpty said, in a rather scornful tone, "it means just what I choose it to mean – neither more nor less."

"The question is," said Alice, "whether you can make words mean so many different things."

L. Carroll, *Through the Looking-Glass*, in *The Complete Illustrated Works of Lewis Carroll* (1982 ed.) at 136 (emphasis in original).

In the series of briefs Christianson has submitted in this case, he has variously described the theory of his transmutable complaint as an "extension of a patent monopoly beyond the expiration of the patent" by "retention of the M16 trade secrets," (Plaintiffs' Memorandum in Support of ITS Motion for Summary Judgment on the Unenforceability of the Alleged M16 Trade Secrets at 15-16) a "monopolization of the M-16 rifle and its parts through illegal restrictive covenants and active assertions and enforcement of alleged trade secrets relating to the M-16 rifle," (Motion to Transfer to the Court of Appeals for the Seventh Circuit at 13) a monopoly established by keeping specifications secret and "enforcing numerous U.S. patents . . . obtained by concealment of critical aspects required to be disclosed . . . [by] § 112" (Brief of Appellees (Seventh Circuit) at 18-19) and a "group boycott and improper revocation of permission." (Appellee's Reply to Colt's Memorandum Opposing Motion to Dismiss (Federal Circuit) at 1).

### CONCLUSION

For the foregoing reasons, this Court should determine that the Federal Circuit had jurisdiction over Colt's appeal. In the event this Court determines that it was inappropriate for the Federal Circuit to decide Colt's appeal, this Court should remand with directions to the Federal Circuit to transfer the appeal to the Seventh Circuit.

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Respectfully submitted,

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